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PUBLIC SERVICE
COMMISSION

December 30, 2013

Mr. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2010-00449

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case, an original and ten copies of the Smith Unit 1 Asset Cost Mitigation Report (eleventh report) of East Kentucky Power Cooperative, Inc. ("EKPC"). This report is being filed pursuant to the Commission's Order of February 28, 2011.

Should you have questions or need additional information, please contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read 'P. Woods', is written over the typed name.

Patrick C. Woods
Director, Regulatory Services

Enclosures

East Kentucky Power Cooperative, Inc.
Smith Unit 1 Asset Cost Mitigation Report
December 31, 2013 (Eleventh Mitigation Report)

In accordance with the Commission's Order dated February 28, 2011 in Case No. 2010-00449, this report summarizes the status of East Kentucky Power Cooperative Inc.'s ("EKPC") mitigation efforts to reduce the balance of the regulatory asset through the sale of the Smith Unit 1 physical assets. On March 5, 2013, the Commission entered an Order in Case No. 2013-00005 authorizing EKPC to sell its Smith Unit 1 assets without a transfer of control filing under KRS 278.218 and without further approval from the Commission.

As reported in December 2011, EKPC has negotiated final settlement of all Smith Unit 1 contracts. The regulatory asset balance relating to Smith Unit 1 is \$150,225,493.77 at December 27, 2013. This balance includes expenses associated with marketing the assets and preserving the assets for potential sale.

When EKPC met with Commission Staff on August 7, 2012, EKPC reported that interest in purchasing the Smith Unit 1 assets had increased. On January 23, 2013, EKPC entered into an exclusivity agreement with a party interested in purchasing the Smith Unit 1 assets, wherein, for consideration, EKPC and the interested party entered into an agreement whereby EKPC agreed not to solicit or conduct discussions with other interested parties for a 90-day period. The consideration paid by this interested party as part of the exclusivity agreement was applied against the regulatory asset balance.

EKPC's contract with its equipment broker expired on July 18, 2012. Now, EKPC is working through non-exclusive agreements with several equipment brokers and with the Boiler and Turbine OEM's along with the Smith Unit 1 Design Engineer to identify and screen potential purchasers. As of December 31, 2013, three-hundred-thirty-one (331) inquiries regarding the assets have been received. Fifty (50) of the inquirers have executed confidentiality agreements with EKPC, enabling EKPC to share technical information regarding the assets. Three (3) of the forty-nine entities who have executed confidentiality agreements are currently considered active prospects. One of the active prospects has conducted conversations with the Original Equipment Manufacturers (OEMs) to further evaluate the technical suitability of the Smith assets for their individual projects. Twelve (12) prospects have conducted site visits with their chosen EPC company and/or financial partner.

EKPC is continuing to pursue the strategy of selling the Smith Unit 1 assets as a complete project. However, EKPC is opening up discussions to potentially sell individual components as well as scrap value for some items as the available market options for the entire package are diminishing.